The C.N.R. Guarantee
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FACTS FOR FAIR-MINDED ELECTORS

C. N. R. GUARANTEE

An Act of Policy Growing Out of a Blunder Made by the Ross Government—How the Whitney Government Strengthens the Province's Security.

The poverty of the Ontario Opposition in campaign issues is very well shown in the endeavor that is being made by the newspapers and orators on that side to make an argument against the Whitney Government on the Canadian Northern guarantee. The spectacle of a political party endeavoring to raise objections on an act of policy the necessity for which grew out of a blunder made by their own party when in power, and which when proposed by the Government, was supported by the Opposition Leader and his following to the last man, is one which Ontario politics has not seen before. That is the position of the Ontario Liberals on the Canadian Northern guarantee.

The guarantee itself was a simple matter of business, in which the Whitney Government, by taking advantage of a situation which opened up, were able to secure for the province an improvement in what had been under the arrangement made by the Ross Government a very doubtful security; but which by this action of the Whitney Government has been transformed into a "gilt-edged" first mortgage on a productive property, perfectly safe under the conditions as re-arranged for an amount very largely in excess of the liability which the province endorses.

HISTORY OF THE TRANSACTION.

To make this matter plain, it may be as well to give the history of the transaction. Four or five years ago, the Canadian Northern Railway Company proposed to construct the James Bay Railway between Toronto and Sudbury, a distance of 265 miles. The company came to the Ross Government for assistance, and in 1904 the Ross Government passed an Act to guarantee the construction of debentures of the company at the rate of $20,000 a mile for the 265 miles to be secured by first mortgage on the road in favor of the province. The total amount of the guarantee was $5,360,000. The James Bay road was constructed under this arrangement from Toronto to Parry Sound, and is expected to reach Sudbury the coming summer. But **when the Whitney Government came into power and looked into the security, it was found that there was a very serious defect in the mortgage.** The lien held by the province on the James Bay road did not cover the terminals at either end, so that if the road had fallen into the hands of the province under the mortgage, the province would not have been able to do any business over the railway without paying tribute to whoever might happen to be owner of the terminals. Moreover, it is recognized that the completion of the Toronto and Sudbury branch of the Canadian Pacific Railway will deprive the Canadian Northern Toronto and Sudbury line of much of the through traffic which it expected to get between these points, which also depreciates the value of the security.

A NEW MORTGAGE ENTIRELY.

Some day the Canadian Northern's Toronto and Sudbury line will be a part of the Mackenzie & Mann through line to the Pacific, but in the meantime, in view of the loss of through traffic by the opening of the C. P. R. competing line, more local traffic became a necessity, and to secure this the Canadian Northern desired to construct four branches or feeders, making about fifty miles of projected new track in all. One branch of twenty-eight miles will tap the great iron deposits at Moose Mountain, from which enormous freights of ore are expected. The second is to be a sub-feeder into the Garson mines. Then there is a branch from the main line to Orillia, and another branch from the main line to Key Inlet on the Georgian Bay to facilitate the shipment of the ore down the lakes. The company also desires to construct terminals and ore docks at Key Harbor, which will be made the Georgian Bay port of this line; and to provide extensive terminal facilities at Toronto, where it is the intention to construct a huge smelting plant in which to

handle the Moose Mountain ore. Towards these various improvements they asked the Whitney Government to give assistance by extending the provincial guarantee to cover an additional two and a half million issue of debentures. **The Whitney Government agreed to do so, but upon the proviso that the whole of the guarantee, the old and the new, should be represented in a new mortgage made to cover the whole of the road, including all its branches, and including also the terminals at Key Inlet and Toronto and the Cherry Street and Don Flat yards in the latter city.** To this the company agreed, and a new mortgage will be taken, applying to the whole property of the road, and covering the whole amount of the loans raised by the Canadian Northern with the aid of the provincial guarantee.

A MUCH BETTER ARRANGEMENT.

Under the old arrangement, if the company had failed, the province under its mortgage would have had for security a road running "from nowhere to nowhere," and over which it could not have done any business without paying tribute to whoever might chance to own the terminals. Under the new arrangement, if the company fails, the province will for a cost of something like 65 cents on the dollar step into the sole ownership of a complete and perfectly equipped railway system, with adequate terminals, and with unlimited business ready to its hand in the great Moose Mountain iron ore deposits. Moreover, by the construction of a connecting link between the James Bay road and the Temiskaming and Northern Ontario, the province would come into possession of an independent through line from Toronto to the Cobalt region and beyond, which would ultimately be developed into a great provincial railway connecting Lake Ontario with Hudson Bay. From a public ownership standpoint, the only pity about the arrangement is that the province is never likely to be called upon to make good its guarantee. Such a railway system as that outlined, if the province ever had the luck to fall in for it on such terms, would be a very fine thing for the province to own, and would give Mr. J. L. Englehart a chance to show what public ownership of railways under favorable conditions could really be made to do.

THE LAROSE PAYMENT

Equitable Adjustment of a Claim out of which the Government has Already Received Nearly a Quarter Million and Ross Government Got Only $700 —History of the Transaction.

The Reform papers, in the scarcity of campaign material against the Whitney Government, are endeavoring to create the impression that there was something wrong about the settlement made by the Government with the LaRose Mining Company in connection with the O'Brien mine suit. No direct charge is made, but hints are thrown out that the Government was unduly generous to the LaRose Company, and the veiled insinuation is put forward that the LaRose Mining Company will be expected in return to contribute handsomely towards financing the Conservative campaign. **That the Reformers should not be able to conceive of any settlement by a Government which did not include a "rake-off" for somebody is a defect of their political training for which the record of their party while in power in the province and the Dominion is, perhaps, chiefly to blame;** but for the information of the public it may be as well to give the facts of the LaRose transaction. They are interesting for several reasons; as showing the way in which the provincial estate was squandered under the Ross Government; and the care and ability which the Whitney Government has applied to straightening out the blundering or crooked work of their predecessors; and the benefit which has accrued to the province from the introduction of honest and business-like mehtods in the conduct of the public affairs.

WHEN THE OFFICIALS GOT IN.

The first discovery of silver at Cobalt, as is generally known, was made in the course of the construction work on the provincial railway. So soon as it became known that the discovery was valuable, there was a grand rush for locations, and the officials under the Ross Government, in charge of the railway work, being on the ground and having therefore a special chance, succeeded in getting hold of many of the promising claims. Among others, the "O'Brien crowd," as they have since been called, located four claims, containing in all 277 acres, and **succeeded in getting patents for them in the dying hours of the Ross Government**, some being issued even after the defeat of that Government. The patents were issued in spite of the protests of several prospectors, who asserted that the O'Brien people had made no discoveries of mineral whatever and that patents should not be issued to them. They further claimed that they themselves had made such discoveries and were entitled to the lands, and that the O'Brien applications were "blanket" applications of the most pronounced kind. These prospectors afterwards transferred their claims to the LaRose Mining Company on a cash and partnership basis, and as the LaRose people had plenty of money, a big fight for the valuable O'Brien property was on.

When it is desired to attack a Crown patent, a fiat must be obtained from the Crown to commence the action, and in 1905 the LaRose people applied for such a patent in the O'Brien case. There were many other properties in the Cobalt region in the same situation, and it looked is if the whole district would be tied up in a tangle of law suits and development retarded for years. Had the Government issued the fiats asked for and the private parties attacking the titles succeeded, the Government or the province would have received no benefits. So the Government withheld the fiats and took legislation enacting that where patents were set aside in any such suit the legal effect would be to restore the lands to the Crown.

O'BRIEN'S SUGGESTED COMPROMISE.

The Government, of course, reserved to itself the right to deal equitably with the persons putting forward the adverse claims, but was not prepared to wholly relinquish the public interest in valuable properties which had been obtained by misrepresentation. **The LaRose people were then asked to put in their proofs, and were assured that in the end they would be fairly dealt with.** It took the LaRose people some time to get the evidence together, and it was

not till 1907 that the case was ready for the Court. Counsel for the Crown went over the evidence and reported that as to one or more of the O'Brien properties, it did not look as if the patents could be successfully attacked, but as to the other there seemed a fighting chance. **The O'Brien interests at this stage proposed compromise,** and as the spectacle of the province attacking its own patents in the Courts was one to be avoided in the interest of the provincial credit if possible, negotiations were opened. The O'Brien interest proposed a ten per cent. royalty, to which the Government would not listen. Fifteen per cent. and twenty per cent. royalty was offered and refused, and finally the O'Briens as a condition of the Government withdrawing the suit, accepted Mr. Cochrane's proposal for a royalty to the Government of twenty-five per cent. of the whole output of the mine, valued at the pit's mouth. Under that arrangement the Government have so far received $240,000 in royalties out of the O'Brien mine.

MATERIAL ASSISTANCE RENDERED BY LAROSE PEOPLE.

Then the question came up of what settlement should be made with the LaRose people. Figures being called for, the LaRose people showed that they had spent $31,000 in following up witnesses, who were scattered everywhere from Cape Breton to California, in procuring evidence, and in preparing the case. **As it was entirely upon the evidence which they had provided that the Government had based its case,** they thought that the least the Government could do in fairness was to pay their costs in getting the evidence, and split the royalty even. Mr. Cochrane did not think so, and after a good deal of negotiation, proposed a settlement by which the LaRose people were to get $30,000 in payment of their bill of law costs, and ten per cent. of the Government's twenty-five per cent. royalty on the mine, the Government getting the other fifteen per cent. until such time as the LaRose Company should have got $100,000, after which they would get no more. The $100,000 was to come out of the royalty on the mine and from no other source, and if the mine should peter out before the LaRose people got the whole of the $100,000, they were to have no claim on the Government for the balance. This settlement was accepted by the LaRose people, and the case was thus closed.

HOW THE $100,000 WILL BE PAID.

Some misapprehension exists as to when this payment is to be made. It is not so that it comes out of the royalty already paid in.

Only the $30,000 costs comes from that source. The balance, $100,000, is to be paid out of royalties accruing after the legislation became law and at the rate of 40 per cent. to the LaRose people and 60 per cent. to the Government until the sum of $100,00 is completed. Thus when the LaRose people have been paid their interest, the Government will also have secured $150,000 more, which with the $240,000 already paid in (less $30,000) will amount to $360,000.

The methods of the two Governments are very well shown in the contrast presented by their dealings with this case. **The Ross Government disposed of the O'Brien property to a ring of its own employees, apparently ignoring the rights of the real discoverers to at least part of the property, and conveyed it to people whose claim was at least doubtful; and the whole amount that the province got out of the deal was something like seven hundred dollars.** The Whitney Government took hold of the tangle, and steered it to a settlement by which the rights of all parties are fairly dealt with, and the province, out of property which the Ross Government disposed of for $700, has up to the present got in royalties nearly a quarter of a million of dollars, and in all probability will in a year or two more be drawing an income of half a million dollars a year.

COBALT LAKE CASE

Bold and Persistent Attempt to Force From the Government Mining Rights Which had Netted a Million to the People of the Province — A Good Thing That Went Wrong

To secure a million of dollars for the people of the province from any mining claim, let alone from the bed of a small lake, was certainly contrary to general Liberal practice and it is, perhaps, not to be wondered at that a section of the Liberal press and certain members of the party have lent themselves to an endeavor to harass the Whitney Government over the sale of the bed of Cobalt Lake.

The most persistent of the number who felt they had rights therein, has been The Florence Mining Company, and as statements have been made in that company's propaganda which are the contrary to the facts, a brief summary of the case will be of interest.

On the discovery of silver in the Cobalt District in the fall of 1903, Professor W. G. Miller, provincial geologist, was sent to examine and report upon the deposits, and one of his recommendation was that the bed of Cobalt Lake should be at any rate for the time being, reserved by the Crown from sale or disposal, with the view of providing a site and supply of water for reduction works which might be erected on its shores, and also for the possible use of the mining camp and community which it was foreseen would be likely to come into existence in the immediate neighborhood.

The then Commissioner of Crown Lands, approved of the suggestion, and directed that no disposition be made of the lake bed without further instructions.

THE FIRST APPLICATION.

The first application for the bed of the lake was made by W. C. Chambers in January, 1904. Mr. Chambers filed plan of survey and paid in the first year's rental, but the Department would not deal with his application because of the lake bed having been reserved for the above purpose and also because all the lands within ten miles of each side of the T. & N. O. Railway in this region had been withdrawn under the Mines Act by Order-in-Council of 11th November, 1903, Mr. Chambers' application, it may be noted, did not allege any discovery of valuable mineral on the bed of the lake itself, but only on mining location R. L., 404 adjoining, within 200 feet of the lake, which he was of opinion would be found to run across the road allowance and into the lake.

In April, 1904 the Order-in-Council of 11th November previous-was revoked, and mining locations were restricted to forty acres each.

On April 5th, 1905, the Temiskaming Mining Division was set apart by Order-in-Council, including the Cobalt District, and brought under the operation of the Regulations for Mining Divisions, but, no further instructions having been given respecting Cobalt Lake, it was still regarded and treated by the Department as withdrawn from dis-posal.

On 8th June, 1905, Milo H. Bessey filed with the Recorder of the Temiskaming Mining Division affidavit of discovery and application for the bed of Cobalt Lake, which he had staked out as a mining claim on 5th May. This the Recorder refused to accept because of the lake bed having been withdrawn, whereupon Mr. Bessey's solicitors made application direct to the Department, and filed affidavits in support of his claim.

On 13th July, 1905 Recorder Smith was notified that he might now accept and record mining claims on the bed of Cobalt Lake, in accordance with the Regulations for Mining Divisions, but that before doing so he should satisfy himself, as provided in the Order-in-Council of 8th July, 1905, amending the said Regulations that an actual discovery of mineral in place had been made on the land applied for.

On 29th July, 1905, G. S. Strathy, Trustee, applied to Recorder Smith to have a mining claim recorded on the bed of Cobalt Lake,

having obtained an assignment from Henry Dreany, assignee of Milo H. Bessey's claim, and having re-staked the said claim on 17th July. The same discoveries were alleged as shown on Bessey's first application. To this application Bessey and Dreaney were consenting parties.

INSPECTOR REPORTED "NO DISCOVERY."

On 17th August, 1905, Inspector of Mines, E. T. Corkill, reported to Recorder Smith that he had examined the discovery alleged by Bessey and found that the posts were upon veins situated on the road allowance around Cobalt Lake, that these veins had been both discovered and worked the previous year, 1904, so that no discovery of valuable ore or mineral had been made by Bessey. The "wash" ore, not being in place, could not be considered a valuable discovery. In his opinion Bessey had made no discovery, but only staked on veins previously discovered. To completely satisfy itself regarding the alleged discovery the Government also caused inspection to be made by Inspector Robinson, Professor Mickle and Doctor Miller, each of whom, in turn, confirmed Inspector Corkill's report of "no-discovery."

Under ordinary circumstances it would have been the place of Recorder Smith to deal with Bessey's claim in the light of Mr. Corkill's report, but three days previous to the date of this report, namely, 14th August, 1905, an Order-in-Council had been passed withdrawing the Gillies Timber Limit, and Cobalt and Kerr Lakes from exploration, lease, sale or location, and no further action was taken by Recorder Smith.

PUBLIC NOTICE OF FINAL WITHDRAWAL.

On the passage of the Order-in-Council withdrawing Cobalt Lake, etc., Mr. Smith was notified by telegraph, and a copy was forwarded him by mail as soon as received from the Clerk of the Executive Council, with instructions to post the same on the walls of his office for the information of the public. This Mr. Smith states he did, and that the Order remained so posted until he removed to his new office in November, 1905. It was re-posted on the walls of his new office and stayed there for a considerable time, until taken down when the office walls were being oiled. The Order had been in the Recorder's office all the time, and a recent inspection of it shows unmistakably that it was nailed up as stated. The Order was also published in the Ontario Gazette in November, 1905.

INCEPTION OF THE FLORENCE MINING COMPANY'S CLAIM.

Mr. W. J. Green, who assigned to the Florence Mining Company, states that he called at the office of the Bureau of Mines and asked for and obtained the printed information regarding the Cobalt District, maps, mining regulations, etc., and also at the office of Recorder Smith at Haileybury, where he was given a copy of the map of Coleman Township, showing the lands taken up and applied for; that there was nothing in the information or maps so obtained indicating that Cobalt Lake was not open for exploration; that he thereupon, in the early part of 1906, placed a diamond drill on the ice covering the said lake and located a valuable vein of mineral in place. In March, 1906, he applied to Recorder Smith to have his claim recorded, but was refused. He states that the Recorder did not know of the existence of the Order withdrawing the lake, and informed him that he was acting under instructions from the Department, and that not until he visited the Department did he learn that such an Order-in-Council existed.

Mr. Smith, on the other hand asserts that the reason he refused to take Mr. Green's application was that **the bed of Cobalt Lake had been withdrawn by Order-in-Council, and that he expressly informed Mr. Green to this effect. This statement is borne out by the fact that in writing the Department in connection with the matter on the same day, Mr. Smith refers to the Order-in-Council**

As to Mr. Green not being told at the Department that the lake was withdrawn, the explanation is that he did not ask. He saw a young lady clerk who could have told him had he inquired. He could also have seen the Deputy Minister or the Minister in the adjoining offices if he had wished for particular information regarding the the lake. He appears to have made no inquiries at Toronto on the first occasion.

FLORENCE CLAIM DISALLOWED.

In the Session of 1906, the Legislature passed an Act respecting Cobalt Lake and certain other lands, being chapter 12, 6, Edward VII., which confirmed and ratified the said Order-in-Council of 14th August, 1905, withdrawing the bed of the said lake and declared the same to have been and now to be binding, and also empowered the Lieutenant-Governor-in-Council to deal with any claims upon the said lake and other lands in such ways as he might think fit.

As provided in the said Act, the claims advanced respectively by Mr. Dreany and his associates, and by the Florence Mining Company were argued by Counsel before the Executive Council and Orders-in-Council were passed disallowing the same.

The Florence Mining people have made misstatements as to matters of fact, both in their petition to the Government and in the columns of certain Toronto Liberal newspapers to which the company has obtained access. Their allegation that the map shown in the Haileybury Recorder's office did not show the lake to be withdrawn was shown to be unfounded.

They alleged also that the copy of the Order-in-Council of 14th August, 1905, was not posted up at the time of Green's discovery. As a matter of fact the order was posted and remained in position for months, until taken down in the course of some repairs. The copy still exists; its appearance shows plainly that it has been exposed to the light and it also has the corners turned down and small holes through them showing that it had been tacked up on the wall.

MR. COCHRANE'S WARNING.

It was a matter of common knowledge of the mining men of Cobalt that the bed of Cobalt Lake, the Gillies Limit and Kerr Lake were withdrawn. Those interested in Green's alleged discovery through the ice in March, of 1906, were approached in a manner which indicated quite clearly that Green and his associates knew they were trespassing on forbidden ground. They were, it is stated on excellent authority, asked to put their money blindly into "**a good thing.**" Asked what it was by those whose financial assistance they were so mysteriously seeking the promoters of the ice drilling shrugged their shoulders and hinted at "Something big," which could not be spoken of just yet, but wait! **They knew they were doing wrong.** As a matter of fact rumors of a diamond drill on the ice reached the Minister of Mines in February, 1906, and he, on the 20th of that month, wrote the gentleman alleged to be interested, stating that he (Mr. Cochrane), rather questioned the report and hoped to hear that it was not true, "**As you know the lake has been withdrawn by Order-in-Council, and people are not to interfere with it.**"

This letter, while not addressed to the party who really had the drill on the ice, indicated quite clearly the Minister's position.

DOMINION WILL NOT INTERFERE.

Out of this "Good thing gone wrong" the Cobalt Lake controversy grew. Its final quietus has been administered by the Dominion Government, according to the following item which appeared in the Toronto Globe on April 29th.:

"Ottawa, April 28th.—It is understood that the Government, on the advice of the Minister of Justice, has decided not to disallow the Ontario statute passed last year to validate the mining rights given by the Provincial Order-in-Council to the Cobalt Lake Mining Corporation. An appeal for the disallowance of the statute was made by the Florence Mining Company, about a year ago. * * * * After careful and full consideration of all the constitutional aspects of the case the Justice Department, for reasons that will be made public in a few days, has found that the Act is constitutional."

And why, it may be asked, was it necessary to validate at all b statute the title of the Cobalt Lake Company? The answer is simple. The Florence Mining Company, notwithstanding the flimsy nature of its claim, could and did attack the Cobalt Lake Company in the Courts and through certain newspapers, and the Cobalt Lake Company was being injured by the doubt which was thus set up with regard to its title, even though there was no justification for any doubt whatever. The Government had, as it had a right to, sold the claim to the Cobalt Lake people for over a million dollars and naturally felt bound to do what it could to place the Company's title beyond question or peradventure. They did so, believing they were quite within their rights, and the decision of the Department of Justice now upholds the constitutionality of the Ontario Government's action.

ALLIED PRINTING TRADES UNION LABEL COUNCIL TORONTO, ONT.